

**COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY**

**SECOND SET OF INFORMATION REQUESTS TO
KEYSPAN ENERGY DELIVERY NEW ENGLAND**

D.T.E. 05-54

Respondent: Marygrace Cerce
Date: October 27, 2005

Information Request DTE 2-1

Q. The Company is requesting recovery of incentives associated with its new savings and cost-effectiveness performance metrics. However, on page 17 of Keyspan Energy Delivery New England, D.T.E. 03-86 (2004), the Department directed KeySpan to submit for Department review and approval the benchmarks and annual performance goals for the savings and cost-effectiveness performance measures before implementing the proposed changes.

A) Why is the Company requesting recovery of these incentives prior to receiving Department approval of each metric's benchmarks and goals?

B) Does the Company believe that the status report filed with the Department within the Company's August 1, 2005 Energy Efficiency Compliance Filing in D.T.E. 05-54 ("2005 Compliance Filing") satisfies the Department's directive in D.T.E. 03-86? If so, specifically explain how the status report satisfies the Department's directive in D.T.E. 03-86. If not, why has the Company not filed for Department review and approval?

A. A) & B)

The Company in this filing, among other things, is requesting Department approval of the benchmarks/annual performance goals for the savings and cost-effectiveness measures. In D.T.E. 03-86, the Department found that KeySpan's savings and cost-effectiveness performance measures were appropriate. When the Company submitted its April 5, 2005 filing for Program Year 4 containing program descriptions, program goals, cost benefit analysis, and a budget, it was still in discussions with the Settling Parties on annual performance goals for savings and cost effectiveness for Program Year 3. Later in the spring, the Company and the Settling Parties reached agreement on the performance goals for savings and cost-

effectiveness. The Company included the spreadsheets containing the Shareholder Incentive associated with achievement of these metrics for Program Year 3 (5/1/2004 through 4/30/2005) in its August 1, 2005 status report but inadvertently did not state in the cover letter accompanying the filing that it was seeking approval of these benchmarks/performance goals.

With respect to the goal for savings, the goal is found in the August 1st filing in Attachment 2a, page 3 with the measure for savings found in the columns labeled “Therms” and “Design Goal.” The calculation to determine the Design Goal is: forecasted participants for Program Year 3 x deemed savings per measure = annual therms saved. The goal associated with cost effectiveness is found on Attachment 2b page 4 under the column labeled “Cost Per Therm Design Goal.” The related calculation is on Attachment 2a, page 6: Weighted Average Life x Annual Estimated Savings x Goal Participants. The other goal for cost effectiveness, which is on Attachment 2a, page 5, column labeled “Design TRC Benefit Cost Ratio,” was calculated by GDS Associates, Inc., an outside consulting firm. This consultant calculates the BCR’s for the Company’s programs.

In addition, the Company is submitting Revised Attachment DTE 1-4(2) entitled “KeySpan Energy Delivery New England Program Years 3 and 4 Performance Metrics – Proposed” for Department approval. This revised attachment replaces the one previously submitted that did not include the designation “proposed.”